

**ARIZONA CORPORATION COMMISSION**  
**UTILITIES DIVISION**

ANNUAL REPORT MAILING LABEL – MAKE CHANGES AS NECESSARY

S

SW-02849A  
Saddlebrooke Utility Company  
9532 E. Riggs Road  
Sun Lakes AZ 85248

**RECEIVED**

MAY 16 2005

AZ Corporation Commission  
Director Of Utilities

**ANNUAL REPORT**

**FOR YEAR ENDING**

12	31	2004
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FOR COMMISSION USE

ANN05	04
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## COMPANY INFORMATION

**Company Name (Business Name)** Saddlebrooke Utility Company

**Mailing Address** 9532 E Riggs Road

Sun Lakes  
(City)

Arizona  
(State)

85248  
(Zip)

(480) 895-9200

(480) 895-4347

Telephone No. (Include Area Code)

Fax No. (Include Area Code)

Pager/Cell No. (Include Area Code)

**Email Address** \_\_\_\_\_

**Local Office Mailing Address** 40,004 S Ridgeview Blvd

Tucson  
(City)

Arizona  
(State)

85739  
(Zip)

(520) 825-3423

(520) 825-0712

(520) 932-5892

Local Office Telephone No. (Include Area Code)

Fax No. (Include Area Code)

Pager/Cell No. (Include Area Code)

**Email Address** \_\_\_\_\_

## MANAGEMENT INFORMATION

**Management Contact:** James Poulos

General Manager

9532 E Riggs Road  
(Street)

Sun Lakes  
(City)

Arizona  
(State)

85248  
(Zip)

(480) 895-9200

(480) 895-4347

Telephone No. (Include Area Code)

Fax No. (Include Area Code)

Pager/Cell No. (Include Area Code)

**Email Address** \_\_\_\_\_

**On Site Manager:** Ed MacMeans

40,004 S Ridgeview Blvd  
(Street)

Tucson  
(City)

Arizona  
(State)

85739  
(Zip)

(520) 825-5515

(520) 825-0712

(520) 932-5892

Telephone No. (Include Area Code)

Fax No. (Include Area Code)

Pager/Cell No. (Include Area Code)

**Email Address** \_\_\_\_\_

☐ Please mark this box if the above address(es) have changed or are updated since the last filing.

**Statutory Agent:** FC Service Corporation

(Name)

3003 N Central Ave #2600

(Street)

Phoenix

(City)

Arizona

(State)

85012-2913

(Zip)

(602) 916-5000

Telephone No. (Include Area Code)

Fax No. (Include Area Code)

Pager/Cell No. (Include Area Code)

**Attorney:** Marty Aronson

(Name)

One E Camelback Road

(Street)

Phoenix

(City)

Arizona

(State)

85012

(Zip)

(602) 263-2972

Telephone No. (Include Area Code)

Fax No. (Include Area Code)

Pager/Cell No. (Include Area Code)

☐ Please mark this box if the above address(es) have changed or are updated since the last filing.

**OWNERSHIP INFORMATION**

Check the following box that applies to your company:

☐ Sole Proprietor (S)

☐ C Corporation (C) (Other than Association/Co-op)

☐ Partnership (P)

☒ Subchapter S Corporation (Z)

☐ Bankruptcy (B)

☐ Association/Co-op (A)

☐ Receivership (R)

☐ Limited Liability Company

☐ Other (Describe) \_\_\_\_\_

**COUNTIES SERVED**

Check the box below for the county/ies in which you are certificated to provide service:

☐ APACHE

☐ COCHISE

☐ COCONINO

☐ GILA

☐ GRAHAM

☐ GREENLEE

☐ LA PAZ

☐ MARICOPA

☐ MOHAVE

☐ NAVAJO

☒ PIMA

☐ PINAL

☐ SANTA CRUZ

☐ YAVAPAI

☐ YUMA

☐ STATEWIDE

**COMPANY NAME** Saddlebrooke Utility Company

**UTILITY PLANT IN SERVICE**

Acct. No.	DESCRIPTION	Original Cost (OC)	Accumulated Depreciation (AD)	O.C.L.D. (OC less AD)
351	Organization	21,369	0	21,369
352	Franchises			
353	Land and Land Rights	125,000	0	125,000
354	Structures and Improvements	53,595	23,126	30,469
355	Power Generation Equipment			
360	Collection Sewers – Force			
361	Collection Sewers – Gravity	4,806,739	724,904	4,081,835
362	Special Collecting Structures			
363	Services to Customers	930,775	95,645	835,130
364	Flow Measuring Devices			
365	Flow Measuring Installations			
370	Receiving Wells	1,494,604	302,832	1,191,772
380	Treatment and Disposal Equip.	5,690,465	1,526,669	4,163,796
381	Plant Sewers			
382	Outfall Sewer Lines	29,192	12,651	16,541
389	Other Plant and Misc. Equipment	70,221	52,712	17,509
390	Office Furniture and Equipment			
391	Transportation Equipment			
393	Tools, Shop and Garage Equip.			
394	Laboratory Equipment			
395	Power Operated Equipment			
398	Other Tangible Plant			
	<b>TOTALS</b>	<b>13,221,960</b>	<b>2,738,539</b>	<b>10,483,421</b>

This amount goes on the Balance Sheet Acct. No. 108

**COMPANY NAME** Saddlebrooke Utility Company

**CALCULATION OF DEPRECIATION EXPENSE**

Acct. No.	DESCRIPTION	Original Cost (1)	Depreciation Percentage (2)	Depreciation Expense (1x2)
351	Organization	21,369		0
352	Franchises			
353	Land and Land Rights	125,000		0
354	Structures and Improvements	53,595	.0340	1,824
355	Power Generation Equipment			
360	Collection Sewers – Force			
361	Collection Sewers – Gravity	4,806,739	.0181	87,007
362	Special Collecting Structures			
363	Services to Customers	930,775	.0183	17,017
364	Flow Measuring Devices			
365	Flow Measuring Installations			
370	Receiving Wells	1,494,604	.0571	85,344
380	Treatment and Disposal Equip.	5,690,465	.0499	284,023
381	Plant Sewers			
382	Outfall Sewer Lines			
389	Other Plant and Misc. Equipment	29,192	.0500	1,460
390	Office Furniture and Equipment	70,221	.0993	6,974
391	Transportation Equipment			
393	Tools, Shop and Garage Equip.			
394	Laboratory Equipment			
395	Power Operated Equipment			
398	Other Tangible Plant			
	<b>TOTALS</b>	<b>13,221,960</b>	<b>.0366</b>	<b>483,649</b>

This amount goes on the Comparative Statement of Income and Expense Acct. 403

**COMPANY NAME** Saddlebrooke Utility Company

### **BALANCE SHEET**

Acct No.	ASSETS	BALANCE AT BEGINNING OF TEST YEAR	BALANCE AT END OF YEAR
	<b>CURRENT AND ACCRUED ASSETS</b>		
131	Cash	\$ 50,404	\$ 91,483
132	Special Deposits	487,900	481,943
135	Temporary Cash Investments		
141	Customer Accounts Receivable	8,263	92,177
146	Notes/Receivables from Associated Companies	4,346	205,357
151	Plant Material and Supplies		
162	Prepayments		
174	Miscellaneous Current and Accrued Assets	333,056	317,843
	<b>TOTAL CURRENT AND ACCRUED ASSETS</b>	\$ 883,969	\$ 1,188,803
	<b>FIXED ASSETS</b>		
101	Utility Plant in Service	\$ 12,279,856	\$ 13,221,960
103	Property Held for Future Use		
105	Construction Work in Progress	9,892	9,160
108	Accumulated Depreciation – Utility Plant	2,254,890	2,738,539
121	Non-Utility Property		
122	Accumulated Depreciation – Non Utility		
	<b>TOTAL FIXED ASSETS</b>	\$ 10,034,858	\$ 10,492,581
	<b>TOTAL ASSETS</b>	\$ 10,918,827	\$ 11,681,384

NOTE: Total Assets on this page should equal **Total Liabilities and Capital** on the following page.

**COMPANY NAME**      Saddlebrooke Utility Company

**BALANCE SHEET (CONTINUED)**

Acct No.	LIABILITIES	BALANCE AT BEGINNING OF TEST YEAR	BALANCE AT END OF YEAR
	<b>CURRENT LIABILITES</b>		
231	Accounts Payable	\$ 37,279	\$ 35,805
232	Notes Payable (Current Portion)		
234	Notes/Accounts Payable to Associated Companies		
235	Customer Deposits		
236	Accrued Taxes	52,022	62,359
237	Accrued Interest	122,706	118,356
241	Miscellaneous Current and Accrued Liabilities		
	<b>TOTAL CURRENT LIABILITIES</b>	\$ 212,007	\$ 216,520
	<b>LONG-TERM DEBT (Over 12 Months)</b>		
224	Long-Term Notes and Bonds	\$ 3,385,000	\$ 3,265,000
	<b>DEFERRED CREDITS</b>		
252	Advances in Aid of Construction	\$	\$
253	Other Deferred Credits		
255	Accumulated Deferred Investment Tax Credits		
271	Contributions in Aid of Construction		
272	Less: Amortization of Contributions		
281	Accumulated Deferred Income Tax		
	<b>TOTAL DEFERRED CREDITS</b>	\$ -	\$ -
	<b>TOTAL LIABILITIES</b>	\$ 3,597,007	\$ 3,481,520
	<b>CAPITAL ACCOUNTS</b>		
201	Common Stock Issued	\$ 98,472	\$ 98,472
211	Other Paid in Capital	3,224,839	3,224,839
215	Retained Earnings	3,998,509	4,876,553
218	Proprietary Capital (Sole Props and Partnerships)		
	<b>TOTAL CAPITAL</b>	\$ 7,321,820	\$ 8,199,864
	<b>TOTAL LIABILITIES AND CAPITAL</b>	\$ 10,918,827	\$ 11,681,384

**COMPARATIVE STATEMENT OF INCOME AND EXPENSE**

<b>Acct. No.</b>	<b>OPERATING REVENUES</b>	<b>PRIOR YEAR</b>	<b>CURRENT YEAR</b>
521	Flat Rate Revenues	\$ 1,655,367	\$ 1,787,218
522	Measured Revenues	56,897	49,354
536	Other Wastewater Revenues	373,515	377,187
	<b>TOTAL REVENUES</b>	\$ 2,085,779	\$ 2,213,759
	<b>OPERATING EXPENSES</b>		
701	Salaries and Wages	\$ 159,101	\$ 141,666
710	Purchased Wastewater Treatment		
711	Sludge Removal Expense		
715	Purchased Power	116,553	132,930
716	Fuel for Power Production		
718	Chemicals	8,941	6,643
720	Materials and Supplies	78,208	91,750
731	Contractual Services – Professional	8,925	13,105
735	Contractual Services – Testing	14,305	28,669
736	Contractual Services – Other	42,000	42,000
740	Rents		
750	Transportation Expense		
755	Insurance Expense	17,987	15,157
765	Regulatory Commission Expense		
775	Miscellaneous Expense	51,905	35,924
403	Depreciation Expense	458,573	483,649
408	Taxes Other Than Income		
408.11	Property Taxes	97,791	118,442
409	Income Taxes		
	<b>TOTAL OPERATING EXPENSES</b>	\$ 1,054,289	\$ 1,109,935
	<b>OTHER INCOME/EXPENSE</b>		
419	Interest and Dividend Income	\$ 33,320	\$ 26,542
421	Non-Utility Income	1,053	2,363
426	Miscellaneous Non-Utility Expenses		
427	Interest Expense	263,023	254,685
	<b>TOTAL OTHER INCOME/EXPENSE</b>	\$ (228,650)	\$ (225,780)
	<b>NET INCOME/(LOSS)</b>	\$ 802,840	\$ 878,044

**COMPANY NAME** Saddlebrooke Utility Company

**SUPPLEMENTAL FINANCIAL DATA**

**Long-Term Debt**

	<b>LOAN #1</b>	<b>LOAN #2</b>	<b>LOAN #3</b>	<b>LOAN #4</b>
Date Issued	01/18/96			
Source of Loan	IDA Bonds			
ACC Decision No.	59134			
Reason for Loan	Construction			
Dollar Amount Issued	\$ 3,950,000	\$	\$	\$
Amount Outstanding	\$ 3,265,000	\$	\$	\$
Date of Maturity	Various			
Interest Rate	7.25 %	%	%	%
Current Year Interest	\$ 241,063	\$	\$	\$
Current Year Principle	\$ 120,000	\$	\$	\$

**COMPANY NAME**

Saddlebrooke Utility Company

**WASTEWATER COMPANY PLANT DESCRIPTION****TREATMENT FACILITY****TYPE OF TREATMENT**

(Extended Aeration, Step Aeration, Oxidation Ditch, Aerobic Lagoon, Anaerobic Lagoon, Trickling Filter, Septic Tank, Wetland, Etc.)

Package plant with primary clarifier and tertiary treatment facilities

**DESIGN CAPACITY OF PLANT**

(Gallons Per Day)

1,240,000

**LIFT STATION FACILITIES**

Location	Quantity of Pumps	Horsepower Per Pump	Capacity Per Pump (GPM)	Wet Well Capacity (gals)
See Attached				

**FORCE MAINS**

Size	Material	Length (Feet)
4-inch	PVC	1,772
6-inch	PVC	8,046
< 4-inch	PVC	8,002
> 6-inch	PVC	2,797

**MANHOLES**

Type	Quantity
Standard	830
Drop	11

**CLEANOUTS**

Quantity
113

### Lift Station Facilities

Location	Quantity of Pumps	Horsepower Per Pump	Capacity Per Pump (GPM)	Wet Well Capacity (gals)
Construction Yard	2	1	50	1,000
Unit 7	2	3	50	1,020
Unit 9	2	75	140	677
Unit 19	2	3	140	888
Unit 27	2	5	120	380
Unit 32	2	20	500	1,800
Unit 21 North	2	15	131	1,197
Unit 21 South	2	88	275	1,795
Unit 46	2	20	600	1,800

**COMPANY NAME** Saddlebrooke Utility Company

**WASTEWATER COMPANY PLANT DESCRIPTION (CONTINUED)**

**COLLECTION MAINS**

Size (in inches)	Material	Length (in feet)
4	PVC	6,257
6		
8	PVC	227,533
10	PVC	716
12		
15		
18		
21		
24		
30		
	PVC	760

**SERVICES**

Size (in inches)	Material	Quantity
4	PVC	4,399
6		
8		
12		
15		

**FOR THE FOLLOWING FIVE ITEMS, LIST THE UTILITY OWNED ASSETS IN EACH CATEGORY**

<b>SOLIDS PROCESSING AND HANDLING FACILITIES</b>	Centrifuge
<b>DISINFECTION EQUIPMENT</b> (Chlorinator, Ultra-Violet, Etc.)	Ultra Violet
<b>FILTRATION EQUIPMENT</b> (Rapid Sand, Slow Sand, Activated Carbon, Etc.)	Sand and Anthracite
<b>STRUCTURES</b> (Buildings, Fences, Etc.)	Comminuter, influent pump station, package plant, blowers, generator, equalization basin, filters, UV disinfection, effluent
<b>OTHER</b> (Laboratory Equipment, Tools, Vehicles, Standby Power Generators, Etc.)	Microscope and Vehicles

**COMPANY NAME** Saddlebrooke Utility Company

### **WASTEWATER FLOWS**

<b>MONTH/YEAR (Most Recent 12 Months)</b>	<b>NUMBER OF SERVICES</b>	<b>TOTAL MONTHLY SEWAGE FLOW</b>	<b>SEWAGE FLOW ON PEAK DAY</b>
Jan 04	3,633	13,346,000	464,000
Feb 04	3,643	12,944,000	487,000
Mar 04	3,677	14,245,000	516,000
Apr 04	3,704	12,875,000	482,000
May 04	3,728	11,290,000	429,000
Jun 04	3,751	9,844,000	409,000
Jul 04	3,777	10,559,000	401,000
Aug 04	3,800	10,343,000	399,000
Sep 04	3,824	10,474,000	407,000
Oct 04	3,850	11,785,000	439,000
Nov 04	3,871	13,019,000	499,000
Dec 04	3,908	13,405,000	480,000

### **PROVIDE THE FOLLOWING INFORMATION AS APPLICABLE**

<b>Method of Effluent Disposal</b> (leach field, surface water discharge, reuse, injection wells, groundwater recharge, evaporation ponds, etc.)	Reuse NPDES
<b>Wastewater Inventory Number</b> (all wastewater systems are assigned an inventory number)	100356
<b>Groundwater Permit Number</b>	N/A
<b>ADEQ Aquifer Protection Permit Number</b>	P100356
<b>ADEQ Reuse Permit Number</b>	R100356
<b>EPA NPDES Permit Number</b>	AZ0022853

## STATISTICAL INFORMATION

Total number of customers 3,908

Total number of gallons treated 144,129,000 gallons

COMPANY NAME Saddlebrooke Utility Company

YEAR ENDING 12/31/2004

**INCOME TAXES**

For this reporting period, provide the following:

Federal Taxable Income Reported	<u>0</u>
Estimated or Actual Federal Tax Liability	<u>0</u>

State Taxable Income Reported	<u>0</u>
Estimated or Actual State Tax Liability	<u>0</u>

**Amount of Grossed-Up Contributions/Advances:**

Amount of Contributions/Advances	<u>0</u>
Amount of Gross-Up Tax Collected	<u>0</u>
Total Grossed-Up Contributions/Advances	<u>0</u>

Decision No. 55774 states, in part, that the utility will refund any excess gross-up funds collected at the close of the tax year when tax returns are completed. Pursuant to this Decision, if gross-up tax refunds are due to any Payer or if any gross-up tax refunds have already been made, attach the following information by Payer: name and amount of contribution/advance, the amount of gross-up tax collected, the amount of refund due to each Payer, and the date the Utility expects to make or has made the refund to the Payer.

**CERTIFICATION**

The undersigned hereby certifies that the Utility has refunded to Payers all gross-up tax refunds reported in the prior year's annual report. This certification is to be signed by the President or Chief Executive Officer, if a corporation; the managing general partner, if a partnership; the managing member, if a limited liability company or the sole proprietor, if a sole proprietorship.

SIGNATURE



DATE

05/13/05

James L. Poulos

PRINTED NAME

General Manager

TITLE

COMPANY NAME Saddlebrooke Utility Company YEAR ENDING 12/31/2004

**PROPERTY TAXES**

Amount of actual property taxes paid during Calendar Year 2004 was: \$ 107,873.14

Attach to this annual report proof (e.g. property tax bills stamped "paid in full" or copies of cancelled checks for property tax payments) of any and all property taxes paid during the calendar year.

If no property taxes paid, explain why. \_\_\_\_\_

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THIS CHECK IS VOID WITHOUT A GREEN & BLUE BORDER AND BACKGROUND PLUS A KNIGHT & FINGERPRINT WATERMARK ON THE BACK. HOLD AT ANGLE TO VIEW

**SADDLEBROOKE UTILITY COMPANY**  
9532 E Riggs Rd  
Sun Lakes, AZ 85248-7411

Bank One, NA  
201 N Central Ave Dept 383  
Phoenix, AZ 85038

91-2/1221 **303549**  
2137869

Date	Amount
10/01/04	\$****59,113.02

**Pay**  
**FIFTY NINE THOUSAND ONE HUNDRED THIRTEEN AND 02/100 \*\*\*\*\***

To The Order Of **JIM L TURNBULL - PINAL COUNTY TREASURER**  
**PINAL COUNTY TREASURERS OFFICE**  
**PO BOX 729**  
**FLORENCE AZ 85232-0729**

**Dollars**  
*[Signature]*

SIGNATURE AREA CONTAINS A KNIGHT & FINGERPRINT CHECK WORDING

⑈303549⑈ ⑆122100024⑆ 0519 4342⑈ ⑈0005911302⑈

ABSENCE OF PINK U.S. PATENT NUMBERS UNDER SIGNATURE INDICATES CHECK IS FRAUDULENT. PATENT NUMBERS ARE PRINTED WITH HEAT SENSITIVE INK & WILL DISAPPEAR WHEN BLOWING OR RUBBING

THIS CHECK ALSO CONTAINS THE FOLLOWING SECURITY FEATURES which are covered under U.S. Patents 5,882,811 & 6,630,000

1. Absence of the **Knights** - **Fingerprint** Check wording & **Fingerprint** in the background.
2. The back of this check has an artificial **Knights** & **Fingerprint** watermark which may be seen by holding the check to a light.
3. **Knights** are on the front of the check. The amount line is a different background than the rest of the check.
4. **Knights** are on the back of the check.
5. **Knights** are on the front of the check.

**TO VIEW WATERMARKS HOLD AT ANGLE OR UNDER BLACKLIGHT**

**KNIGHT FINGERPRINT**  
29 04  
**FINGERPRINT**

**BANK ONE, NA**  
⑈1119013314⑈  
10282744

**6045 92232**

**FACTS OF KNIGHT**  
Absence of the **Knights** - **Fingerprint** Check wording & **Fingerprint** in the background.

**FACTS OF FINGERPRINT**  
Absence of the **Knights** - **Fingerprint** Check wording & **Fingerprint** in the background.

DO NOT WRITE, STAMP OR SIGN BELOW - RESERVED FOR FINANCIAL INSTITUTION USE

Location	Acct #	Check #	Amount	Issue Date	Paid Date	Sequence
CD	5194342	303549	\$59,113.02		10/28/2004	5240195827
Customer Data	Bank #	GL Category	CD Valid/CIMS Key	CD Label		
	601	000000000000	20041029092001	20041029092001		

THIS CHECK IS VOID WITHOUT A BLUE & GREEN BACKGROUND PLUS A KNIGHT™ & FINGERPRINT WATERMARK ON THE BACK - HOLD AT AN ANGLE TO VIEW ARTIFICIAL WATERMARKS

# SADDLEBROOKE UTILITY COMPANY

9532 E Riggs Rd  
Sun Lakes, AZ 85248-7411

**Pay**

**FORTY EIGHT THOUSAND SEVEN HUNDRED SIXTY AND 12/100 \*\*\*\*\***

Dollars

To **JIM L TURNBULL - PINAL COUNTY TREASURER**  
The **PINAL COUNTY TREASURERS OFFICE**  
Order **PO BOX 729**  
Of **FLORENCE AZ 85232-0729**

Bank One, NA  
201 N Central Ave Dept 383  
Phoenix, AZ 85038

91-2/1221

303288

Date	Amount
04/02/04	\$****48,760.12

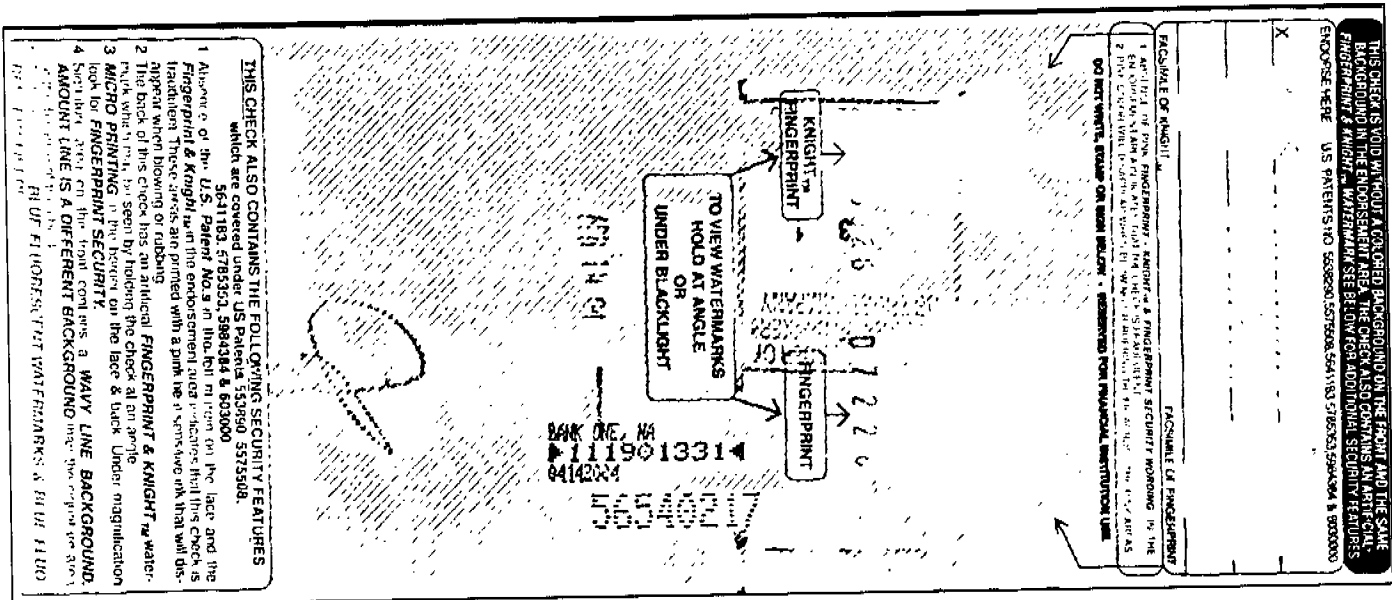
*[Signature]*

SIGNATURE HAS A COLORED BACKGROUND - BORDER CONTAINS MICROPRESSING

⑈303288⑈ ⑆122100024⑆ 0519 4342⑈

⑈0004876012⑈

ABSENCE OF U.S. PATENT NUMBERS IN THE LEFT MARGIN INDICATES THAT THIS CHECK IS FRAUDULENT. THIS AREA IS PRINTED WITH A PINK HEAT SENSITIVE INK THAT WILL DISAPPEAR WHEN BLOWING OR RUBBING



Location	Acct #	Check #	Amount	Issue Date	Paid Date	Sequence
CD	5194342	303288	\$48,760.12		4/14/2004	5640540217
Customer Data	Bank #	GL Category	CD Valid/CIMS Key	CD Label		
	601	000000000000	20040430121701	20040430121701		

**VERIFICATION  
AND  
SWORN STATEMENT  
Intrastate Revenues Only**

**RECEIVED**

MAY 16 2005

**VERIFICATION**

STATE OF ARIZONA  
I, THE UNDERSIGNED  
OF THE

**AZ Corporation Commission  
Director Of Utilities**

COUNTY OF (COUNTY NAME)
<u>MARICOPA</u>
NAME (OWNER OR OFFICIAL) TITLE
<u>BRIAN J. SMITH - CONTROLLER</u>
COMPANY NAME
<u>SADDLEBROOKE UTILITY COMPANY</u>

**DO SAY THAT THIS ANNUAL UTILITY REPORT TO THE ARIZONA CORPORATION COMMISSION**

**FOR THE YEAR ENDING**

MONTH	DAY	YEAR
<u>12</u>	<u>31</u>	<u>2004</u>

HAS BEEN PREPARED UNDER MY DIRECTION, FROM THE ORIGINAL BOOKS, PAPERS AND RECORDS OF SAID UTILITY; THAT I HAVE CAREFULLY EXAMINED THE SAME, AND DECLARE THE SAME TO BE A COMPLETE AND CORRECT STATEMENT OF BUSINESS AND AFFAIRS OF SAID UTILITY FOR THE PERIOD COVERED BY THIS REPORT IN RESPECT TO EACH AND EVERY MATTER AND THING SET FORTH, TO THE BEST OF MY KNOWLEDGE, INFORMATION AND BELIEF.

**SWORN STATEMENT**

IN ACCORDANCE WITH THE REQUIREMENT OF TITLE 40, ARTICLE 8, SECTION 40-401, ARIZONA REVISED STATUTES, IT IS HEREIN REPORTED THAT THE GROSS OPERATING REVENUE OF SAID UTILITY DERIVED FROM ARIZONA INTRASTATE UTILITY OPERATIONS DURING CALENDAR YEAR 2004 WAS:

Arizona Intrastate Gross Operating Revenues Only (\$)

\$ 2,219,878

(THE AMOUNT IN BOX ABOVE  
INCLUDES \$ 3,822  
IN SALES TAXES BILLED, OR COLLECTED)

**\*\*REVENUE REPORTED ON THIS PAGE MUST  
INCLUDE SALES TAXES BILLED OR  
COLLECTED. IF FOR ANY OTHER REASON,  
THE REVENUE REPORTED ABOVE DOES NOT  
AGREE WITH TOTAL OPERATING REVENUES  
ELSEWHERE REPORTED, ATTACH THOSE  
STATEMENTS THAT RECONCILE THE  
DIFFERENCE. (EXPLAIN IN DETAIL)**

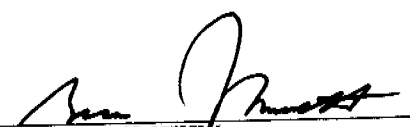
SUBSCRIBED AND SWORN TO BEFORE ME

A NOTARY PUBLIC IN AND FOR THE COUNTY OF

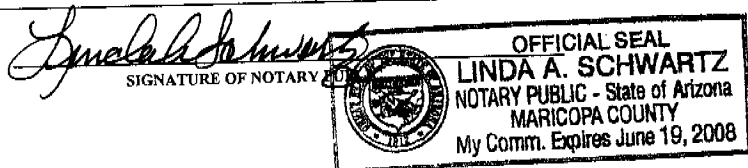
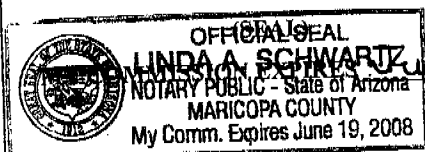
THIS

26<sup>th</sup>

DAY OF

  
SIGNATURE OF OWNER OR OFFICIAL  
(480) 895-9200  
TELEPHONE NUMBER

COUNTY NAME
<u>MARICOPA</u>
MONTH <u>APRIL</u> , 20 <u>05</u>



VERIFICATION  
AND  
SWORN STATEMENT  
RESIDENTIAL REVENUE  
INTRASTATE REVENUES ONLY

**RECEIVED**

MAY 16 2005

VERIFICATION

**AZ Corporation Commission**  
**Director Of Utilities**

STATE OF ARIZONA

I, THE UNDERSIGNED

OF THE

COUNTY OF (COUNTY NAME) <u>MARICOPA</u>	
NAME (OWNER OR OFFICIAL) <u>BRIAN J. SMITH</u>	TITLE <u>CONTROLLER</u>
COMPANY NAME <u>SADDLEBROOKE UTILITY COMPANY</u>	

DO SAY THAT THIS ANNUAL UTILITY REPORT TO THE ARIZONA CORPORATION COMMISSION

FOR THE YEAR ENDING

MONTH	DAY	YEAR
12	31	2004

HAS BEEN PREPARED UNDER MY DIRECTION, FROM THE ORIGINAL BOOKS, PAPERS AND RECORDS OF SAID UTILITY; THAT I HAVE CAREFULLY EXAMINED THE SAME, AND DECLARE THE SAME TO BE A COMPLETE AND CORRECT STATEMENT OF BUSINESS AND AFFAIRS OF SAID UTILITY FOR THE PERIOD COVERED BY THIS REPORT IN RESPECT TO EACH AND EVERY MATTER AND THING SET FORTH, TO THE BEST OF MY KNOWLEDGE, INFORMATION AND BELIEF.

**SWORN STATEMENT**


IN ACCORDANCE WITH THE REQUIREMENTS OF TITLE 40, ARTICLE 8, SECTION 40-401.01, ARIZONA REVISED STATUTES, IT IS HEREIN REPORTED THAT THE GROSS OPERATING REVENUE OF SAID UTILITY DERIVED FROM ARIZONA INTRASTATE UTILITY OPERATIONS RECEIVED FROM RESIDENTIAL CUSTOMERS DURING CALENDAR YEAR 2004 WAS:

ARIZONA INTRASTATE GROSS OPERATING REVENUES

\$ 1,938,711

(THE AMOUNT IN BOX AT LEFT  
INCLUDES \$ 0  
IN SALES TAXES BILLED, OR COLLECTED

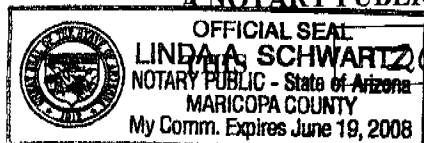
\*RESIDENTIAL REVENUE REPORTED ON THIS PAGE  
MUST INCLUDE SALES TAXES BILLED.

X   
SIGNATURE OF OWNER OR OFFICIAL

(480) 895-9200  
TELEPHONE NUMBER

SUBSCRIBED AND SWORN TO BEFORE ME

A NOTARY PUBLIC IN AND FOR THE COUNTY OF



(SEAL)

DAY OF

NOTARY PUBLIC NAME <u>Linda A. Schwartz</u>	
COUNTY NAME <u>MARICOPA</u>	
MONTH <u>APRIL</u>	YEAR <u>2005</u>

MY COMMISSION EXPIRES June 19, 2008

X   
SIGNATURE OF NOTARY PUBLIC

## **FINANCIAL INFORMATION**

Attach to this annual report a copy of the companies' year-end (Calendar Year 2004) financial statements. If you do not compile these reports, the Utilities Division will supply you with blank financial statements for completion and filing. **ALL INFORMATION MUST BE ARIZONA-SPECIFIC AND REFLECT OPERATING RESULTS IN ARIZONA.**

SADDLEBROOKE UTILITY COMPANY

FINANCIAL STATEMENTS

DECEMBER 31, 2004 AND 2003

Together with Independent Auditor's Report

**B A R R Y & M O O R E , P . C .**

C E R T I F I E D   P U B L I C   A C C O U N T A N T S

**INDEPENDENT AUDITOR'S REPORT**

To the Board of Directors  
Saddlebrooke Utility Company

We have audited the accompanying balance sheets of *SADDLEBROOKE UTILITY COMPANY* as of December 31, 2004 and 2003, and the related statements of income, capitalization, and cash flows for the years then ended. These financial statements are the responsibility of the management of *SADDLEBROOKE UTILITY COMPANY*. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Saddlebrooke Utility Company as of December 31, 2004 and 2003, and the results of its operations and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

March 10, 2005

*Barry & Moore, P.C.*

SADDLEBROOKE UTILITY COMPANY

BALANCE SHEETS  
DECEMBER 31, 2004 AND 2003

*In thousands*

	<u>2004</u>	<u>2003</u>
<u>ASSETS</u>		
PLANT IN SERVICE AND UNDER CONSTRUCTION, net	\$ 10,199	\$ 9,741
CURRENT ASSETS:		
Cash	91	50
Service customers receivable	92	8
Net advances with affiliate	206	5
Other assets	<u>6</u>	<u>7</u>
Total current assets	395	70
RESTRICTED FUNDS	482	488
DEFERRED CHARGES	584	598
ORGANIZATIONAL COSTS	<u>21</u>	<u>21</u>
	<u>\$ 11,681</u>	<u>\$ 10,918</u>
<u>LIABILITIES AND CAPITALIZATION</u>		
BONDS PAYABLE, net of current portion	\$ 3,135	\$ 3,265
CURRENT LIABILITIES:		
Accounts payable	36	37
Accrued liabilities	181	175
Current portion of bonds payable	<u>130</u>	<u>120</u>
Total current liabilities	<u>347</u>	<u>332</u>
Total liabilities	<u>3,482</u>	<u>3,597</u>
CAPITALIZATION:		
Common stock, \$1 par value, Authorized 20,000,000 shares; 98,472 issued and outstanding	98	98
Additional paid-in capital	3,225	3,225
Retained earnings	<u>4,876</u>	<u>3,998</u>
Total capitalization	<u>8,199</u>	<u>7,321</u>
	<u>\$ 11,681</u>	<u>\$ 10,918</u>

*The accompanying notes are an integral part of these balance sheets.*

SADDLEBROOKE UTILITY COMPANY

STATEMENTS OF INCOME  
FOR THE YEARS ENDED DECEMBER 31, 2004 AND 2003

*In thousands*

	<u>2004</u>	<u>2003</u>
REVENUE:		
Wastewater	\$ 1,787	\$ 1,655
Irrigation	50	57
Establishment and connection fees	179	145
Excess capacity charge	198	229
Interest income	27	33
Other income	<u>2</u>	<u>1</u>
Total revenue	<u>2,243</u>	<u>2,120</u>
EXPENSES:		
Salaries and employee benefits	142	159
Electricity	133	117
Chemicals and supplies	6	9
Repairs and maintenance	92	78
Professional services	13	9
Testing, fees and permits	29	14
Insurance	15	18
Administrative services	42	42
Property taxes	118	98
Other expenses	<u>35</u>	<u>38</u>
	<u>625</u>	<u>582</u>
Income before depreciation, amortization and interest	1,618	1,538
Depreciation	484	458
Amortization	1	14
Interest expense	<u>255</u>	<u>263</u>
NET INCOME	<u>\$ 878</u>	<u>\$ 803</u>

*The accompanying notes are an integral part of these statements.*

SADDLEBROOKE UTILITY COMPANY

STATEMENTS OF CAPITALIZATION  
FOR THE YEARS ENDED DECEMBER 31, 2004 AND 2003

*In thousands*

	<u>COMMON STOCK</u>	<u>ADDITIONAL PAID-IN CAPITAL</u>	<u>RETAINED EARNINGS</u>	<u>TOTAL CAPITALIZATION</u>
Balances, December 31, 2002	\$ 98	\$ 3,225	\$ 3,195	\$ 6,518
Net income	<u>0</u>	<u>0</u>	<u>803</u>	<u>803</u>
Balances, December 31, 2003	98	3,225	3,998	7,321
Net income	<u>0</u>	<u>0</u>	<u>878</u>	<u>878</u>
Balances, December 31, 2004	<u>\$ 98</u>	<u>\$ 3,225</u>	<u>\$ 4,876</u>	<u>\$ 8,199</u>

*The accompanying notes are an integral part of these statements.*

SADDLEBROOKE UTILITY COMPANY

STATEMENTS OF CASH FLOWS  
FOR THE YEARS ENDED DECEMBER 31, 2004 AND 2003

	<i>In thousands</i>	
	<u>2004</u>	<u>2003</u>
CASH FLOWS FROM OPERATING ACTIVITIES:		
Net income	\$ 878	\$ 803
Adjustments to reconcile net income		
to net cash flows from operating		
activities-		
Bond issue cost amortized to interest	14	14
Depreciation and amortization	485	472
(Increase) decrease in-		
Service customers receivable	(84)	3
Other assets	1	(6)
Increase (decrease) in-		
Accounts payable	(1)	0
Accrued liabilities	<u>6</u>	<u>1</u>
Total adjustments	<u>421</u>	<u>484</u>
Net cash flows from operating activities	<u>1,299</u>	<u>1,287</u>
CASH FLOWS FROM INVESTING ACTIVITIES:		
Decrease in restricted funds	6	4
Increase in net advances with affiliates	(201)	(5)
Plant additions	<u>(943)</u>	<u>(1,244)</u>
Net cash flows from investing activities	<u>(1,138)</u>	<u>(1,245)</u>
CASH FLOWS FROM FINANCING ACTIVITIES:		
Repayment of bonds	<u>(120)</u>	<u>(110)</u>
Net cash flows from financing activities	<u>(120)</u>	<u>(110)</u>
INCREASE (DECREASE) IN CASH	41	(68)
CASH, beginning of year	<u>50</u>	<u>118</u>
CASH, end of year	<u>\$ 91</u>	<u>\$ 50</u>

*The accompanying notes are an integral part of these statements.*

SADDLEBROOKE UTILITY COMPANY

NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2004 AND 2003

(1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

Business activity-

Saddlebrooke Utility Company (the "Company"), an Arizona Corporation organized in 1994, provides wastewater utility services to the SaddleBrooke retirement community.

The rates for services are authorized by the Arizona Corporation Commission.

Property and equipment-

Property and equipment are stated at original cost. All assets are depreciated on the straight-line method over the following useful lives beginning August 1, 1998, (3.14 % prior to that date).

Structures and improvements	36 years
Treatment and disposal system and effluent lines	20 years
Collection system, manholes, cleanouts and service laterals	50 years
Lift station pumping equipment	10 years
Pump station receiving wells	28 years
Equipment	5 – 10 years

Maintenance and repairs to property and equipment are generally expensed as incurred. Expenditures determined to represent additions and improvements are capitalized.

Deferred charges-

Deferred charges are amortizable over the following lives-

NPDES permit	5 years
Deferred operating costs subsequent to December 31, 1996	Pending
Rate hearing costs	Pending
Bond issue costs	23.5 years
Deferred closure costs	Pending

Income taxes-

The Company has elected to be taxed under the provisions of Subchapter S of the Internal Revenue Code. Under these provisions, the Company's income or loss is includable in the income tax returns of the stockholder's.

(1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued):

Estimates-

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions. These affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from these estimates.

Valuation of Long-Lived Assets-

The Company periodically evaluates the carrying value of the long-lived assets in accordance with Statement of Financial Accounting Standards (SFAS) No. 144, *Accounting for the Impairment or Disposal of Long-Lived Assets*. Under SFAS No. 144, long-lived assets and certain identifiable intangible assets to be held and used in operations are reviewed for impairment whenever events or circumstances indicate that the carrying amount of an asset may not be fully recoverable. The Company does not believe impairment exists at December 31, 2004.

Statements of cash flows-

Interest paid totaled \$245,000 and \$253,000 in 2004 and 2003, respectively.

(2) PLANT IN SERVICE AND UNDER CONSTRUCTION:

Plant in service and under construction consists of the following-

	<i>In thousands</i>	
	<u>2004</u>	<u>2003</u>
Construction work-in progress	\$ 0	\$ 1
Land	125	125
Structures and improvements	54	54
Treatment and disposal system	5,690	5,666
Collection system	3,619	3,307
Manholes and cleanouts	1,188	1,024
Service laterals	931	847
Lift stations	893	686
Pump station receiving wells	602	451
Equipment	70	69
Effluent lines	<u>29</u>	<u>29</u>
	13,201	12,259
Less acquisition adjustment account	263	263
Less accumulated depreciation	<u>2,739</u>	<u>2,255</u>
	<u>\$ 10,199</u>	<u>\$ 9,741</u>

(3) RESTRICTED FUNDS:

Restricted funds consist of investments held by a Trustee to comply with the requirements of the Trust Indenture related to the Industrial Development Authority Bonds.

Restricted funds are invested in U.S. Government obligations. These investments are classified as held to maturity and are recorded at cost in the following Trustee accounts-

	<i>In thousands</i>	
	<u>2004</u>	<u>2003</u>
Reserve fund	\$ 363	\$ 363
Bond fund	119	123
Accrued interest	<u>0</u>	<u>2</u>
	<u>\$ 482</u>	<u>\$ 488</u>

(4) DEFERRED CHARGES:

Deferred charges, net of amortization, consist of the following-

	<i>In thousands</i>	
	<u>2004</u>	<u>2003</u>
NPDES permit	\$ 1	\$ 2
Deferred operating costs		
subsequent to December 31, 1996	308	308
Rate hearing costs	68	68
Bond issue costs	198	211
Deferred closure costs	<u>9</u>	<u>9</u>
	<u>\$ 584</u>	<u>\$ 598</u>

Pursuant to an order from the Arizona Corporation Commission, the Company was authorized to defer 30% of the incremental operating costs of the new wastewater treatment facilities until new rates went into effect on August 1, 1998.

Deferred closure costs consist of the cost of closure required under one of the Company's wastewater permits.

(5) BONDS PAYABLE:

In December 1995, the Company received \$3,950,000 of proceeds from the sale of Industrial Development Authority Bonds of Maricopa County, which financed the construction of the wastewater treatment facility.

The bonds bear interest at 7.25% and require annual debt service, principal and interest, of \$364,000 through July, 2019.

Annual principal payments are as follows-

2005	\$ 130,000
2006-2010	135,000 - 180,000
2011-2015	195,000 - 255,000
2016-2019	275,000 - 340,000

(6) ACCRUED LIABILITIES:

Accrued liabilities consists of the following-

	<i>In thousands</i>	
	<u>2004</u>	<u>2003</u>
Property taxes	\$ 59	\$ 49
Other taxes	3	3
Interest	<u>119</u>	<u>123</u>
	<u>\$ 181</u>	<u>\$ 175</u>

(7) TRANSACTIONS WITH RELATED PARTIES:

On an ongoing basis, the Company engages in certain business activities with affiliates which arise through the normal course of business. These activities are as follows-

The Company purchased \$909,000 and \$1,228,000 of utility assets from an affiliated developer during 2004 and 2003, respectively.

(7) TRANSACTIONS WITH RELATED PARTIES (Continued):

The Company loans excess funds to an affiliate. The advances are payable on demand and provide for interest at the prime rate. The Company earned \$21,000 and \$22,000 of interest during 2004 and 2003, respectively. Working capital advances outstanding at December 31, 2004 and 2003 were \$206,000 and \$5,000, respectively.

The Company paid \$42,000 in 2004 and 2003 for administrative and accounting services to an affiliate.

The Company has entered into an agreement with an affiliated developer where the developer pays a monthly fee to reserve capacity of the new wastewater treatment plant for its undeveloped lots. The Company earned \$198,000 and \$229,000 for excess capacity charges during 2004 and 2003, respectively, pursuant to this agreement.

(8) FAIR VALUE OF FINANCIAL INSTRUMENTS:

Cash and Short-term Investments-

The carrying amount approximates fair value because of the short maturity of these instruments.

Long-term Investments-

The restricted fund investments approximate fair value.

Long-term Debt-

The Company's long-term debt approximates fair value.

**VERIFICATION  
AND  
SWORN STATEMENT  
Intrastate Revenues Only**

APR 28 2005

**VERIFICATION**

STATE OF ARIZONA

I, THE UNDERSIGNED

OF THE

COUNTY OF (COUNTY NAME)
<u>MARICOPA</u>
NAME (OWNER OR OFFICIAL) TITLE
<u>BRIAN J. SMITH - CONTROLLER</u>
COMPANY NAME
<u>SADDLEBROOKE UTILITY COMPANY</u>

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**FOR THE YEAR ENDING**

MONTH	DAY	YEAR
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Arizona Intrastate Gross Operating Revenues Only (\$)

\$ 2,219,878

**(THE AMOUNT IN BOX ABOVE  
INCLUDES \$ 3,822  
IN SALES TAXES BILLED, OR COLLECTED)**

**\*\*REVENUE REPORTED ON THIS PAGE MUST INCLUDE SALES TAXES BILLED OR COLLECTED. IF FOR ANY OTHER REASON, THE REVENUE REPORTED ABOVE DOES NOT AGREE WITH TOTAL OPERATING REVENUES ELSEWHERE REPORTED, ATTACH THOSE STATEMENTS THAT RECONCILE THE DIFFERENCE. (EXPLAIN IN DETAIL)**

**SUBSCRIBED AND SWORN TO BEFORE ME**

**A NOTARY PUBLIC IN AND FOR THE COUNTY OF**

**THIS**

26<sup>th</sup>

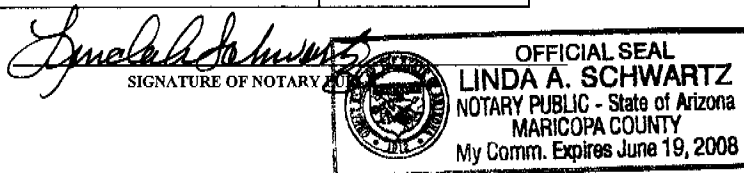
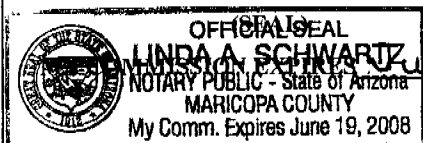
**DAY OF**

COUNTY NAME
<u>MARICOPA</u>
MONTH <u>APRIL</u> , 20 <u>05</u>

SIGNATURE OF OWNER OR OFFICIAL

(480) 895-9200

TELEPHONE NUMBER



**VERIFICATION  
AND  
SWORN STATEMENT  
RESIDENTIAL REVENUE  
INTRASTATE REVENUES ONLY**

APR 28 2005

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NAME (OWNER OR OFFICIAL) <u>BRIAN J. SMITH</u>	TITLE <u>CONTROLLER</u>
COMPANY NAME <u>SADDLEBROOKE UTILITY COMPANY</u>	

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FOR THE YEAR ENDING

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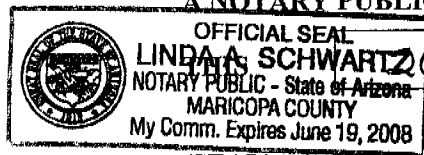
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MUST INCLUDE SALES TAXES BILLED.

X   
SIGNATURE OF OWNER OR OFFICIAL  
(480) 895-9200  
TELEPHONE NUMBER

SUBSCRIBED AND SWORN TO BEFORE ME

A NOTARY PUBLIC IN AND FOR THE COUNTY OF




(SEAL)

DAY OF

NOTARY PUBLIC NAME <u>Linda A. Schwartz</u>	
COUNTY NAME <u>MARICOPA</u>	
MONTH <u>APRIL</u>	YEAR <u>2005</u>

MY COMMISSION EXPIRES June 19, 2008

X   
SIGNATURE OF NOTARY PUBLIC